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PRELIMINARY
~~PRELIMINARY~~ REPORT ON BUSINESS RE-
LOCATION IN THE SOUTH END

End

February 27, 1964

POTENTIAL IMPACT OF SOUTH END PROGRAM RELATIVE TO BUSINESS RELOCATION

The following summary indicates some of the points that will have to be considered relative to potential business relocation in the South End. Specific remarks are based on the most recent South End clearance proposal; however, the more general comments shall be applicable to any renewal plan affecting business facilities.

In order to gain some perspective from past experience with business relocation, reference will be made to the most recent data available from Castle Square. In many respect, this area (Castle Square) offers an excellent "sample" of the entire business population of the South End; and may prove valuable.

South End Estimates

Based on preliminary information provided by the South End staff, it is estimated that 572 commercial and institutional establishments employing approximately 4620 people, are located within proposed clearance areas.

The following table shows the estimated distribution of the 552 commercial facilities in four broad classifications.

Table 1

Distribution of Commercial Activity in Proposed Clearance Area of South End

	Establishments	Percent Distribution	Employment	Percent Distribution
Total	552	100.0	4620	100.0
Retail	248	44.9	1120	24.2
Services	177	32.1	1720	37.2
Wholesale	61	11.1	730	15.8
Industrial	66	11.9	1050	22.8

While such a broad classification breakdown tells us little about the specific composition of commercial activity in the South End, it does indicate the general magnitudes involved. When more information is made available, relative to floor space occupancy, a more detailed analysis will be undertaken.

The Larry Smith report contains some relevent estimates of square footage, and number of establishments in this area. However, no reference will be made to these estimates at the present time since they are based on an earlier clearance proposal, and the data now being processed by the staff will prove to be of greater value.

Castle Square Experience

At the time of land acquisition, December 19, 1962, there were 167 businesses occupying space in structures in the Castle Square area.

Information on status is currently (Feb. 25, 1964) available

for 149 of these establishments. Table II presents a summary descriptive of some of the available information.

Table II

Recorded Experience of Establishments Formerly Located in Castle Square

Number of Establishments Recorded	149			
Relocated at known addresses		97		
Total liquidations			51	
Temporary until reestablished				9
Other liquidations				42
Inability to transfer license				7
Elderly, deceased, or retired				20
Evicted for non-payment of rent				2
Closed as undesirable				1
No explanation, or "inoperative"				12
Disappeared			4	

As the table indicates, 42 firms (28 percent) are known to have gone out of business for the reasons stated. Further analysis is needed, however, before it can be determined whether or not a significant proportion of these firms would have liquidated in the absence of renewal activity.

A previous report on Castle Square relocation (#) indicated the geographic distribution of the relocatees in terms of the

(#) M. L. McMahn, Business Relocation, Castle Square, as of February 10,1964; Table II.

South End, Adjacent areas, and Outlying areas.

Table III below presents this same information in somewhat different form to gain a clearer perspective on the size of the area over which this distribution takes place.

Table III

Distribution of Relocated Firms in Terms of Distance from Center of Castle Square Project Area (*)

	(1) Less than ½ mile	(2) Less than 1 mile	(3) Less than 2 miles	(4) Over 2 miles	(5) Total (3) + (4)
Total	44 (51.8)**	55 (64.7)	69 (81.2)	16 (18.8)	85
Retail	17 (43.6)	23 (59.0)	29 (74.4)	10 (25.6)	39
Services	10 (43.4)	13 (56.4)	19 (82.6)	4 (17.4)	23
Institutions	4 (100.0)	4 (100.0)	4 (100.0)	0 (0.0)	4
Storage	9 (69.3)	10 (77.0)	11 (84.7)	2 (15.4)	13
Industrial	4 (66.7)	5 (83.4)	6 (100.0)	0 (0.0)	6

(*) Information taken from more detailed table in Appendix.

(**) Figures in parenthesis represent the percentage of the total in Colmun 5 (the total number of firms in each class) relocated at any given distance from the project.

Whether the Castle Square experience will be repeated in the South End or not is at least questionable. Because of the much greater area currently proposed for clearance we can probably anticipate a smaller percentage relocating within the one half and one mile ranges.

It should also be noted (though a more detailed analysis is warranted on this point) that, for several reasons, we may anticipate a relatively

higher proportion of business failures (liquidation, mismanagement, etc.) than in either the Castle Square Project or Government Center. The major reason for this relates to the above mentioned point about potential distance relocated from current point of operation. Several other factors also bear on this question. For example,

a. the detailed characteristics of commercial activity in the South End

b. the dependence on specific classes of activity in the more or less unique characteristics of the South End, i.e. neighborhood shopping, wage levels, labor force characteristics, etc.

c. the extent to which special establishments are operating at the margin of profitability, and

d. the efficiency with which the BRA relocation team carries out its important function in the South End. This point needs to be emphasized, and will be expanded upon in a subsequent report.

Another factor influencing the degree to which business relocation efforts will or will not be successful is the rent differential between the old and new locations.

It is generally acknowledged that the annual rent per square foot paid by relocated businesses is higher after relocation. The two projects in the City where evidence is presently available on this point (Government Center and Castle Square) bear out this contention.

Table IV

Comparison of Rent/sq. ft. at Old and New Locations (*)

	Old Location ($)	New Location ($)	Percent Change (%)
Government Center	.51	.79	55
Castle Square	1.17	1.70	45

(*) Based on 354 observations in Government Center, and 39 observations in Castle Square.

Table IV contains the relevant figures. No attempt will be made here to explain the differential between Government Center and Castle Square. Such an investigation, however, would probably be worthwhile.

Accepting the fact that rent per square foot increases however, does not tell us too much about potential profitability of the new locations. This is affected by many factors. Among these is the total rent bill which does not have to rise if the firms can accommodate themselves to smaller quarters in the new location.

A somewhat cursory analysis of the experience in Government Center and Castle Square presents conflicting evidence, in view of the fact that the average rent per square foot increased in both cases.

Table V

Comparison of Total Space Occupied in Old and New Locations by Relocated Establishments

	Old Locations	New Locations	Percent Change - %
Government Center	1,764,120	1,833,640	3.9
Castle Square	58,566	46,781	-20.1

At the moment, time has not allowed a more detailed breakdown by type of facility, or change in rent payments. No explanation can be offered at the moment relative to the conflicting experience in the two projects as indicated in Table V. It would be desirable to have such an analysis in order to better estimate probable experience in the South End.

As is often the case in preliminary reports, more questions have been raised than have been answered. Discussion on these points, however, should indicate the extent to which further analysis will be useful to the project team.

Sumner J. Hoisington
February 27, 1964

DISTRIBUTION OF RELOCATED FIRMS IN TERMS
OF DISTANCE
FROM CENTER OF CASTLE SQUARE PROJECT AREA

	0-¼ Mile	¼-½ Mile	½-3/4 Mile	3/4-1	1-1½	1½-2	Over 2	Total	In Project Area
TOTAL:	27 (31.8) (100.0)	17 (20.0) (100.0)	11 (12.9) (100.0)	0	8 (9.4) (100.0)	6 (7.1) (100.0)	16 (18.8)* (100.0)	85 (100.0) (100.0)	6
RETAIL:	11 (28.2) (40.7)	6 (15.4) (35.3)	6 (15.4) (54.5)	0	3 (7.7) (37.5)	3 (7.7) (50.0)	10 (25.6) (62.5)	39 (100.0) (45.9)	3
SERVICES:	5 (21.7) (18.5)	5 (21.7) (29.4)	3 (13.0) (27.3)	0	4 (17.4) (50.0)	2 (8.7) (33.3)	4 (17.4) (25.0)	23 (100.0) (27.1)	1
INSTITUTIONS:	2 (50.0) (7.4)	2 (50.0) (11.8)	0	0	0	0	0	4 (100.0) (4.7)	0
STORAGE:	6 (46.2) (22.2)	3 (23.1) (17.6)	1 (7.7) (9.1)	0	0	1 (7.7) (16.7)	2 (15.4) (12.5)	13 (100.0) (15.3)	1
INDUSTRIAL:	3 (50.0) (11.2)	1 (16.7) (5.9)	1 (16.7) (9.1)	0	1 (16.7) (12.5)	0	0	6 (100.0) (7.1)	1

*INCLUDES: FOUR (4) FIRMS THAT LEFT BOSTON.
Old Orchard, Maine (Retail); Lynn, Mass. (Retail), Cambridge, Mass. (Service
Brookline, Mass, (Storage).

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Taking relocation load —

Estimate —

how many will liquidate

how many will locate in South

End — [illegible] estimate [illegible] for many.

estimate net [illegible] in [illegible]

space

We should try to relate relocation load to total volume of activity in the South End.